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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2007-0710
Oshawa PUC Networks Inc. – 2008 Electricity Distribution Rate Application

Please find enclosed the Interrogatories of the Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

Oshawa PUC Networks Inc. (OPUCN)
2008 Electricity Rate Application
Board File No. EB-2007-0710

VECC's Interrogatories

Question #1

Reference: i) Exhibit 1/Tab 1/Schedule 12, page 1

- a) Will the settlements between the Generator and OPUCN form part of OPUCN's cost of power for purposes of establishing the balances in the RSVAs for Power?
- b) If yes, what is the pricing arrangement for power purchased from the Generator? In particular, is the pricing competitive with purchases from the IESO administered market?

Question #2

Reference: i) Exhibit 1/Tab 3/Schedule 1, page 19

- a) Has OPUCN concluded a new long-term lease arrangement with the City of Oshawa? If so, please indicate what the new leasing arrangements are and provide any available evidence that demonstrates the rent paid reflects market rates.
- b) If OPUCN has not concluded a long term lease with the City of Oshawa, please indicate what the short term leasing arrangements are and demonstrate that the associated rents reflect market rates.

Question #3

Reference: i) Exhibit 2/Tab 1/Schedule 1, page 2

Preamble: The last time Oshawa's rates were based on a "cost of service" type approach was for 2006. In that process, rate base was determined by making various adjustments to 2004 year end actual values. Barrie is currently seeking approval for its 2008 rate base.

- a) Please provide a continuity schedule for Barrie's Net Plant, Property and Equipment similar to reference (i) but that:

- Starts as of December 31, 2004.
- Also shows separately:
 - Annual depreciation charges
 - The capital expenditures during the year
 - The in-service asset additions during the year
 - Year end assets under construction (CWIP)

Question #4

Reference: i) Exhibit 2/Tab 2/Schedules 1 & 2

- a) Please provide a Schedule that shows the capital spending and capital additions for each of the years 2005 through 2008 for each of the following asset categories:
- Land and Buildings (Accounts 1805, 1808, and 1810)
 - TS Primary Above 50 kW (Account 1815)
 - DS (Account 1820)
 - Poles and Wires – Overhead (Accounts 1830 and 1835)
 - Underground (Accounts 1840 and 1845)
 - Line Transformers (Account 1850)
 - Services and Meters (Accounts 1855 and 1860)
 - General Plant (Accounts 1908 and 1910)
 - IT Assets
 - Equipment
 - Other Distribution Assets

Question #5

Reference: i) Exhibit 2Tab 3/Schedule 3, page 7

- a) Please provide details on OPUCN's program to upgrade qualified customers with new interval meters (e.g., what customers qualify and why and what is the business case for the program?)

Question #6

Reference: i) Exhibit 2/Tab 3/Schedule 1, pages 1 and 2
 ii) Exhibit 4/Tab 2/Schedule 7, page 1
 iii) Exhibit 11/Appendix D

- a) Reference (i) states that "the typical engineering life of distribution system components is 40 to 50 years". However, reference (ii) indicates that the depreciation rate for poles, wires and transformers is 4% - which represents a service life of 25 years. Similarly, reference (iii) notes (page v) that life of distribution assets is considerably longer than the depreciation period used.

- Why has OPUCN not proposed a change in the depreciation rates for its distribution system assets?
- b) Reference (i) states that the average system age for OPUCN is 20.63 years. Please provide a schedule setting out how this value was determined.
- c) Reference (i) states that “OPUCN’s distribution system is nearing end of life”. However, elsewhere the Application states that the typical life of distribution system components is 40-50 years and the average age of OPUCN’s assets is only 20.63 years. Please reconcile.

Question #7

Reference: i) Exhibit 2/Tab 3/Schedule 1, page 13

- a) Are the 2003 to 2006 values actual historical loads or weather corrected values?
- b) Please explain why the 2007 value is the same as that for 2006.

Question #8

Reference: i) Exhibit 2/Tab 3/Schedule 2, pages 2-4
ii) Exhibit 2/Tab 3/Schedule 3

- a) Reference (ii) states that 2006 was an abnormal year in terms of capital spending projects. In order to provide more context for the 2007 and 2008 values please provide a breakdown of 2005 capital spending in format similar to that used in reference (i).
- b) What was the 2006 capital spending associated with the two large capital projects undertaken in that year (i.e., prior to capital contributions) – Reference (ii), page 1.
- c) Total capital spending (net of contributions) increases by over \$ 4 M in 2007 versus 2006. The variance explanations provided in reference (ii) account for less than \$1.3 M of this. Please indicate in which category of spending each of the two projects fall – using the categories set out in reference (i).
- d) Please identify the other major projects (i.e., spending in excess of \$100,000) that::
- Account for the increase of almost \$2.7 M in spending on System Planning-Enhancement in 2007 over 2006.

- Make up the \$1.1 M in spending on System Planning-Expansion in 2007.

In each case, please identify the external drivers that give rise to the need for the spending.

- e) Into which category of spending (per reference (i)) does each of the three major projects for 2008 fall?
- f) The Application states that “2.5% of the poles have been identified for replacement” (reference (ii), page 6) which represents roughly 300 of the OPUCN’s 12,000 poles. However, on the same page, the Application indicates that 190 poles need replacement. Please reconcile.

Question #9

Reference: i) Exhibit 2/Tab 3/Schedule 4, page 1

- a) Please provide OPUCN’s policy with respect to the capitalization of overheads.
- b) Please provide a schedule that sets out the calculation of capitalized overheads for 2006.
- c) What is forecasted level of capitalized overheads for 2007 and 2008 and how was it determined?

Question #10

Reference: i) Exhibit 2/Tab 4/Schedule 1, pages 4-5

- a) Please indicate how the forecasts for the 2007 and 2008 for the various cost of power components were developed.
- b) What is the average cost of purchased power for 2007 and 2008.

Question #11

Reference: i) Exhibit 3/Tab 1/Schedule 1, page 2
ii) Exhibit 3/Tab 3/Schedule 1, pages 1-2

- a) Please indicate where the revenues from the monthly Standard Supply Service charge are accounted for.

Question #12

Reference: i) Exhibit 3/Tab 2/Schedule 2, page 1

ii) Exhibit 3/Tab 2/Schedule 4, page 3

- a) Please provide the basis for OPUCN's assumption that half of the new apartments will be unmetered basement apartments.
- b) Does OPUCN agree that an increase in unmetered basement apartments will lead to an increase in the average use per metered residential customer? If not, why not? If yes, please indicate how this has been accounted for in the load forecast for 2007 and 2008.

Question #13

Reference: i) Exhibit 3/Tab 2/Schedule 5

- a) Please explain more fully what the HONI weather normalization factor is (page 3) and how it was determined.
- b) Based on the response to part (a), please explain why the HONI weather normalization factor is applied to the five-year average use per customer to obtain normalized kWh per customer.
- c) Please explain why average demand is not related to kWh usage (page 5)?

Question #14

Reference: i) Exhibit 3/Tab 2/Schedule 9
ii) Exhibit 3/Tab 2/Schedule 5

- a) Given that the weather varies from year to year, please explain why the difference between the actual residential use and the normalized residential use is 1.17% in each year.
- b) Reference (i) suggests that weather has no effect on the usage level for the Intermediate Use class (i.e., HONI weather normalization factor is 1.0). However, reference (ii) suggests that weather does have an effect. Please reconcile.
- c) Please provide the data used to determine the 5 year averages by customer class in reference (ii). Please reconcile any differences between the actual consumption values used to determine the averages and the historical consumption values reported in reference (i).
- d) With respect to the 2007 and 2008 usage volumes reported in reference (i) please explain:

- Why there are different values for weather actual and weather normalized
- Why the values do not match those reported in Exhibit 3/Tab 2/Schedule 6 as the normalized volume forecast.

Question #15

Reference: i) Exhibit 3/Tab 3/Schedule 3

- a) What rates were used in for the 2008 revenues reported in this schedule?

Question #16

Reference: i) Exhibit 4/Tab 2/Schedule 1

- a) With respect to changes between 2006 Actual and 2007 Forecast, please provide an explanation for any line item with an increase of 5% or more. In particular, please indicate the external factors that give rise to the increase.
- b) Why are the entries for Overhead Distribution Lines and Feeders – Operations Supplies and Expenses negative for 2006 actual, 2007 and 2008?
- c) Why are the entries for Miscellaneous Distribution Expenses negative?
- d) Why is the 2007 entry for Overhead Distribution Lines and Feeders – Operation Labour negative?
- e) With respect to the 2007 and 2008 Forecasts, please provide an explanation for any line item with an increase of 5% or more. In particular, please indicate the external factors that give rise to the increase.

Question #17

Reference: i) Exhibit 4/Tab 2/Schedule 3

- a) Please provide copies of the Service Agreements between OPUCN and its affiliates as required under Section 2 of the OEB's Affiliate Relationships Code.
- b) Are any overhead costs (e.g., A&G costs) included in the charges to affiliates? If not, why not? If yes, how are overhead costs to be included determined?
- c) Where are revenues received from fees and charges to affiliates accounted for in the Application? The "offset" does not appear to be reported anywhere.

Question #18

Reference: i) Exhibit 4/Tab 2/Schedule 4

- a) Please provide a copy of the service agreement between OPUCN and OPUC.
- b) Please indicate precisely what “corporate governance services” are provided to OPUCN by OPUC. In particular, what types of legal and consulting services are provided?
- c) How many of OPUCN’s executive management are paid by OPUC and what are their positions (per Exhibit 4/Tab 2/Schedule 6)?

Question #19

Reference: i) Exhibit 1/Tab 3/Schedule 1, page 12
ii) Exhibit 5/Tab 1/Schedule 2

- a) Please reconcile the Regulatory Asset and Liability balances reported in the two references as of December 31, 2006.
- b) Why are there no balances reported in reference (ii) for RCVA-Retail or RCVA-STR?
- c) With respect to reference (ii), what is the basis for the (\$1,523,352) adjustment related to Account 1590?
- d) Why Is OPUCN including Account 1590 in the account proposed for clearance? In its December 9, 2004 Decision regarding recovery of regulatory assets the OEB stated (page 94) that any balances outstanding in Account 1590 would be dealt with after April 30, 2008.

Question #20

Reference: i) Exhibit 5/Tab 1/Schedule 3

- a) Please provide a schedule that sets out the allocation factor (definition and values) used to allocate the balance in each account to customer classes.

Question #21

Reference: i) Exhibit 6/Tab 1/Schedule 1

- a) Why has OPUCN not include a 4% short-term debt component in its capital structure as directed by the Board in its December 20, 2006 Report on Cost Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors?
- b) Please recalculate the average cost of capital assuming a 4% short-term debt component.
- c) Exhibit 1/Tab 3/Schedule 1 (page 17) states that the note held by the shareholder is payable upon demand. Given this circumstance why is it not more appropriate (for regulatory purposes) to reset the rate every year at the deemed rate applicable for affiliate transactions?

Question #22

Reference: i) Exhibit 8/Tab 1/Schedule 1, pages 1-2

- a) Please provide a copy of the Cost Allocation run supporting the Revenue to Cost Calculations reported on page 2.

Question #23

Reference: i) Exhibit 8/Tab 1/Schedule 1, page 5
ii) Exhibit 9/Tab 1/Schedule 2

- a) What are the current rates (by customers class) used to determine the results shown on page 2 of reference (ii)?
- b) Where/how is the revenue shortfall associated with the transformer ownership discount addressed in the Application?

Question #24

Reference: i) Exhibit 9/Tab 1/Schedule 12

- a) The bill impact tables included in the electronic application filed with the OEB are not completely legible. Please provide a full set of bill impact tables comparable to what was provided in the 2006 EDR process.
- b) Based on a recent 12 consecutive months of actual billing data, please indicate the percentage of total residential customers that:
 - Consume less than 100 kWh per month
 - Consume 100 -> 250 kWh per month
 - Consume 250 -> 500 kWh per month
 - Consume 500 -> 750 kWh per month
 - Consume 750 -> 1000 kWh per month

Question #25

Reference: i) Exhibit 4/Tab 2/Schedule 8

- a) Can OPUCN explain the sharp increase in Loss Factor observed for 2006 relative to previous years? If yes, what are the reasons?

Question #26

Reference: i) Exhibit 11/Appendix F

- a) Please provide a copy of the Appendix 1 referred to on the third page (last paragraph).
- b) Please provide a copy of OPUCN's 2006 CDM report.
- c) Is the LRAM request related to lost revenues for 2005 or 2006? The Application suggests that LRAM and SSM relate to 2006 (Exhibit 10/Tab 1/Schedule 1). However, the Table on the third page makes reference to 2005 revenue impacts.
- d) Were all of the assumptions used in the SSM and LRAM calculations regarding unit savings, free ridership, measure longevity, etc. taken straight from the OEB's TRC Guide? If not, what are exceptions and what was the basis for the assumptions used in each case?
- e) Please confirm that the \$0.0119 rate used in the LRAM calculation includes the Regulatory Asset Recovery rider. Will OPUCN attribute the LRAM recovery associated with the Regulatory Asset Recovery rider to the Regulatory Asset Recovery Account? If not, why not?

- f) The determination of the LRAM for the replacement of bulk with individual meters does not appear to account for the fact that billing the customers at a different rate (i.e., residential as opposed to GS) will also impact (and may increase) revenues. Please comment.
- g) Why is a 6-month rate rider considered appropriate?

Question #27

Reference: i) Exhibit 11/Appendix E, pages 6-7

- a) What would be the Revenue to Cost Ratios for General Service > 50 kW classifications, if the revenues for each class were reduced to account for the transformer ownership allowance discount they received?